

BUCHAREST OFFICE MARKET



Q3 2017



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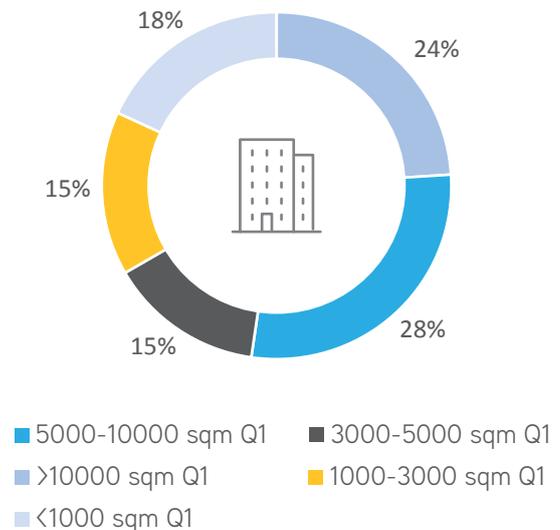
Q3 Total take-up

56,000 sqm  **y-o-y 20%**

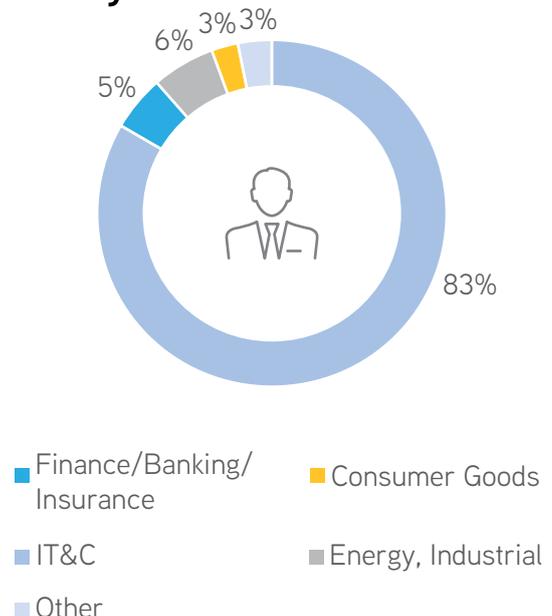
Demand

- Leasing activity cooled a bit in Q3, with gross take-up just north of 56,000 sqm A-class transactions recorded (230,000 sqm for the first three quarters of the year), from 71,000 sqm a year ago (240,000 sqm in Q1-Q3 2016). Several large deals seem to be stuck in negotiation phase a bit longer than we expected and might be pushed towards the first part of next year, leading to risks for the full-year number to undershoot a bit our 400,000 sqm call.
- Net take-up stands at 134,000 sqm for the first three quarters of 2017, with close to 45,000 sqm in Q3. Overall, this points to a healthy demand (in spite of a bit lackluster data for gross take-up). Our call for a full-year take-up of 175,000 sqm is still valid.
- The IT and BPO/SSC continue to be the major drivers on the demand-side, with the three largest deals (over half of the Q3 activity) belonging to the former.
- Continuing in the same vein of recent quarters, Q3 saw some big entrances on the Bucharest market, notably Amazon, GoPro and Systematic. Amazon, which is already present in Romania with its development center in Iasi, entered the market with a big bang, as it was one of the largest deals we've seen in years. It is also noteworthy that Romania is

Transactions by deal size



Transactions by company activity



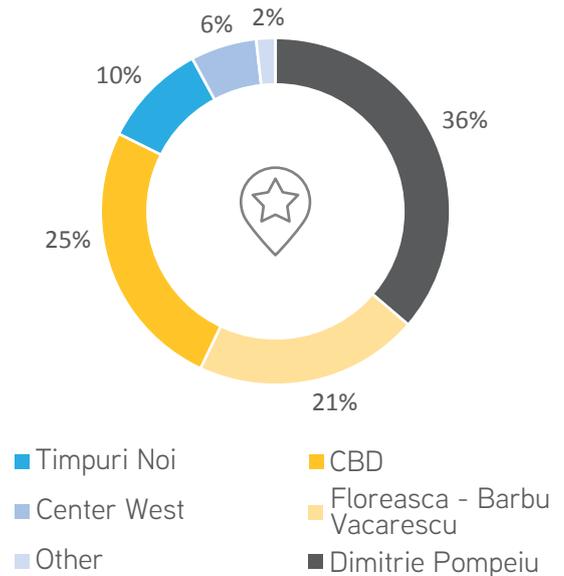


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set to become one of the most relevant bases of operations outside the US for GoPro. Meanwhile, Systematic is the biggest privately-owned software company in Denmark and offers, among other things, solutions for NATO.

- > Dimitrie Pompeiu became the most active area for leasing activity in Q3, with over 20,000 sqm, followed by Floreasca-Barbu Vacarescu and CBD.
- > With a good macro backdrop, workforce availability constraints continue to be a major concern going forward. Having said that, there are some mildly comforting news in this regard. Though the percentage of unfilled job openings in the Bucharest-Illfov labour market has been climbing in the last year, this still looks materially better than it did a decade ago. Moreover, for several segments (notably IT&C), it was actually lower in Q2 2017 than a year earlier.

Leasing activity by sub-markets



Deliveries

- > No new deliveries were recorded in Q3, but could near 100,000 sqm for the whole year. Consequently, the vacancy rate dropped towards 9% from nearly 12% in H1. The pipeline for next year is much more impressive, at well over 300,000 sqm (potential for a new post-crisis high) and the outlook looks set to remain solid, provided employers remain confident they can fill vacancies and relay this info to developers.

Green Certifications

- > The market remains dynamic, with over 40,000 sqm in new certifications during Q3 (BREEAM and LEED) and 63,000 sqm in interim BREEAM certifications. A highlight for this period was the LEED Gold Campus (multiple buildings) certification for Global City, a first for Romania.

New players on the office market



554 offices in
68 countries on
6 continents

United States: **153**

Canada: **34**

Latin America: **24**

Asia Pacific: **231**

EMEA: **112**

\$2.6

billion in
annual revenue

2

billion square feet
under management

15,000

professionals
and staff

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